

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



52ND DISTRICT AGRICULTURAL ASSOCIATION
SACRAMENTO COUNTY FAIR
SACRAMENTO, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #09-050
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

52ND DISTRICT AGRICULTURAL ASSOCIATION
SACRAMENTO COUNTY FAIR
SACRAMENTO, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

AUDIT STAFF

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AUDIT REPORT NUMBER

#09-050

52ND DISTRICT AGRICULTURAL ASSOCIATION
SACRAMENTO COUNTY FAIR
SACRAMENTO, CALIFORNIA

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

James Vietheer, President
Board of Directors
52nd DAA, Sacramento County Fair
P.O. Box 15028
Sacramento, California 95851-0028

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 52nd District Agricultural Association (DAA), Sacramento County Fair, Sacramento, California, as of December 31, 2008 and 2007, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 52nd DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

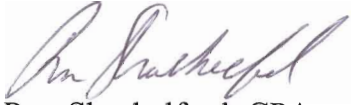
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 52nd DAA, Sacramento County Fair, as of December 31, 2008 and 2007, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 52nd DAA, Sacramento County Fair has not presented the Management's Discussion and Analysis, which the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #09-050, on the 52nd DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 52nd DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.

A handwritten signature in dark ink, appearing to read "Ron Shackelford", is positioned above the printed name.

Ron Shackelford, CPA
Chief, Audit Office

March 24, 2009

**52ND DISTRICT AGRICULTURAL ASSOCIATION
SACRAMENTO COUNTY FAIR
SACRAMENTO, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION
December 31, 2008 and 2007**

	<u>Account Number</u>	<u>2008</u>	<u>2007</u>
ASSETS			
Cash in Bank	111 - 117	\$ 135,134	\$ 260,610
Accounts Receivable, Net	131	15,153	2,960
Deferred Charges	143	-	-
Leasehold Improvements, Net	194	23,167	28,782
TOTAL ASSETS		<u>173,454</u>	<u>292,352</u>
LIABILITIES AND NET RESOURCES			
Liabilities			
Accounts Payable	212	9,032	42,099
Taxes Payable	22-226	2,221	3,879
Deferred Income	228	5,079	30,480
Compensated Absences Liability	245	2,941	4,929
Total Liabilities		<u>19,273</u>	<u>81,387</u>
Net Resources			
Reserve for Junior Livestock Auction	251	52,986	57,459
Net Resources - Operations	291	78,028	124,724
Net Resources - Capital Assets	291.1	23,167	28,782
Total Net Resources Available		<u>154,181</u>	<u>210,965</u>
TOTAL LIABILITIES AND NET RESOURCES		<u>\$ 173,454</u>	<u>\$ 292,352</u>

**52ND DISTRICT AGRICULTURAL ASSOCIATION
SACRAMENTO COUNTY FAIR
SACRAMENTO, CALIFORNIA**

STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
December 31, 2008 and 2007

	<u>Account Number</u>	<u>2008</u>	<u>2007</u>
REVENUE			
State Apportionments	312	\$ 180,000	\$ 180,000
Millennium Flex Funds	340	39,901	16,704
Commerical Space	415	70,065	104,641
Carnival	421	59,579	55,080
Food Concessions	422	63,242	58,679
Exhibits	430	23,690	16,800
Horse Show	440	4,460	2,592
Attractions - Fair Time	460	4,348	3,216
Miscellaneous Fair	470	61,183	84,208
JLA-Revenue	476	37,412	35,617
Non-Fair Revenue	480	16	1,867
Other Operating Revenue	495	7,542	13,247
Total Revenue		<u>551,438</u>	<u>572,650</u>
EXPENSES			
Administration	500	234,033	329,629
Maintenance and Operations	520	59,860	35,037
Publicity	540	46,052	59,860
Miscellaneous Fair	570	8,669	7,557
JLA Expense	576	41,885	29,864
Premiums	580	19,914	19,584
Exhibits	630	104,864	124,671
Horse Show	640	4,506	2,269
Attractions-Fairtime	660	52,638	54,225
Prior Year Adjustments	800	(9,716)	(602)
Depreciation Expense	850	5,616	5,616
Other Operating Expense	900	39,901	17,058
Total Expenses		<u>608,222</u>	<u>684,770</u>
RESOURCES			
Net Change - Income / (Loss)		(56,784)	(112,116)
Resources Available, January 1		210,965	323,081
Resources Available, December 31		<u>\$ 154,181</u>	<u>\$ 210,965</u>

**52ND DISTRICT AGRICULTURAL ASSOCIATION
SACRAMENTO COUNTY FAIR
SACRAMENTO, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS
December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ (56,784)	\$ (112,116)
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(12,194)	12,201
(Increase) Decrease in Deferred Charges	-	292
Increase (Decrease) in Accounts Payable	(33,067)	13,678
Increase (Decrease) in Compensated Absence Liability	(1,988)	4,929
Increase (Decrease) in Other Liabilities	(1,658)	(3,340)
Increase (Decrease) in Deferred Income	(25,401)	(21,454)
Total Adjustments	<u>(74,308)</u>	<u>6,306</u>
Net Cash Provided (Used) by Operating Activities	<u>(131,092)</u>	<u>(105,810)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Leaseholds & Improvements, Net	5,616	5,616
Net Cash Provided (Used) by Investing Activities	<u>5,616</u>	<u>5,616</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(125,476)	(100,194)
Cash at Beginning of Year	260,610	360,804
CASH AT END OF YEAR	<u><u>\$ 135,134</u></u>	<u><u>\$ 260,610</u></u>

**52ND DISTRICT AGRICULTURAL ASSOCIATION
SACRAMENTO COUNTY FAIR
SACRAMENTO, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The 52nd District Agricultural Association (DAA) was formed for the purpose of sponsoring, managing, and conducting the Sacramento County Fair each year in Sacramento, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAA's to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board (GASB) defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Account, the DAA has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned

rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Inventories – Inventories, if any, consists primarily of souvenir items sold during fair time, and is stated at cost.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the asset. Buildings and improvements are depreciated over 30 years, and purchases of equipment are depreciated over five years. Costs of repair and maintenance are expensed as incurred by the DAA. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the

useful lives identified above. The costs of projects that have not been placed in service are recorded in Account #190, Construction-in-Progress and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2

NEW ACCOUNTING STANDARDS

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, ("GASB Statement No. 45"). This statement establishes standards for the measurement, recognition, and display of postretirement benefits other than pensions expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The statement becomes effective for the District for periods beginning after December 15, 2007. Management has not determined the effect of GASB Statement No. 45 on the combined financial statements.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Receivables and Future Revenues*, ("GASB Statement No. 48"). GASB Statement No. 48 establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving receivables should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should not be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. This statement is effective for periods beginning after December 15, 2006. Adoption of this statement did not have a material impact on the combined financial statements.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, (“GASB Statement No. 49”). GASB Statement No. 49 requires governmental entities to report pollution remediation costs in their financial statements. It identifies five obligating events under which the government should estimate the expected obligations for pollution remediation. Under the standard, liabilities and expenses will be estimated using an “expected cash flows” measurement technique, which will be employed for the first time by governments. Further, the standard requires that governments disclose information about their pollution remediation obligations associated with clean-up efforts in the notes to the financial statements. GASB Statement No. 49 will be effective for financial statements with periods beginning December 15, 2007, but liabilities should be measured at the beginning of that period so that beginning net assets can be restated. Management has not determined the effect of GASB Statement No. 49 on the combined financial statements.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*, (GASB Statement No. 50”). GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (“OPEB”) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (“RSI”) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, (“GASB Statement No. 25”), and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, (“GASB Statement No. 27”) to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, (“GASB Statement No. 43”) and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (“GASB Statement No. 45”). GASB Statement No. 50 will be effective for financial statements with periods beginning after June 15, 2007. Management has not determined the effect of GASB Statement No. 50 on the combined financial statements.

In July 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, (“GASB Statement No. 51”). GASB Statement No. 51 requires that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). GASB Statement No. 51 will be effective for financial statements with periods beginning after June 15, 2009. Management has not determined the effect of GASB Statement No. 51 on the combined financial statements.

The following list of cash and cash equivalents were held by the DAA as of December 31:

	2008	2007
Petty Cash	\$ 0	\$ 100
Cash in Bank - Operating	(7,572)	3,067
Cash in Bank - JLA	55,730	54,988
Cash in Bank - Premium	(30)	(408)
Cash in Bank - Investment & Savings	87,007	202,863
	<u>\$ 135,135</u>	<u>\$ 260,610</u>
Total Cash and Cash Equivalents	<u>\$ 135,135</u>	<u>\$ 260,610</u>

NOTE 4 **ACCOUNTS RECEIVABLE**

The DAA is required to record an allowance for doubtful accounts based on estimates of collectability.

	2008	2007
Accounts Receivable	\$ 17,625	\$ 5,433
Allowance for Doubtful Accounts	(2,473)	(2,473)
	<u>\$ 15,152</u>	<u>\$ 2,960</u>
Accounts Receivable - Net	<u>\$ 15,152</u>	<u>\$ 2,960</u>

NOTE 5 **PROPERTY AND EQUIPMENT**

Buildings and improvements, and equipment at December 31, 2008 and 2007 consist of the following:

	2008	2007
Leasehold Improvements	\$ 76,731	\$ 76,731
Less: Accumulated Depreciation	(53,564)	(47,948)
Leasehold Improvements - Net	<u>\$ 23,167</u>	<u>\$ 28,783</u>

NOTE 6 **RETIREMENT PLAN**

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service

for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 7 **RECLASSIFICATION**

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

NOTE 8 **LITIGATION**

The DAA is subject to various claims and legal actions relating to a range of matters that are incidental to the conduct of its operations. The DAA's management believes, none of which, will have a material effect on its financial position or results of operations.

**52ND DISTRICT AGRICULTURAL ASSOCIATION
SACRAMENTO COUNTY FAIR
SACRAMENTO, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 52nd DAA Board of Directors
1	Chief Executive Officer, 52nd DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



52ND DISTRICT AGRICULTURAL ASSOCIATION
SACRAMENTO COUNTY FAIR
SACRAMENTO, CALIFORNIA

MANAGEMENT REPORT #09-050

YEAR ENDED DECEMBER 31, 2008

52ND DISTRICT AGRICULTURAL ASSOCIATION
SACRAMENTO COUNTY FAIR
SACRAMENTO, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2008

AUDIT STAFF

Ron Shackelford, CPA
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Patricia Moore
Michelle Chan

Audit Chief
Assistant Audit Chief
Auditor
Auditor

MANAGEMENT REPORT NUMBER
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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

James Vietheer, President
Board of Directors
52nd DAA, Sacramento County Fair
P.O. Box 15028
Sacramento, California 95851-0028

In planning and performing our audit of the financial statements of the 52nd District Agricultural Association (DAA), Sacramento County Fair, Sacramento, California, for the year ended December 31, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Sacramento County Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 52nd DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 52nd DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 52nd DAA in a timely manner during the normal course of



operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 52nd DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 52nd DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 52nd DAA and compliance with state laws and regulations, we identified four areas with reportable conditions that are considered weaknesses in the Fair's operations: internal controls over cash receipts, weakness in cash account reporting, record keeping for temporary employees, and sponsorship policy and procedures. We have provided six recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 52nd DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

INTERNAL CONTROLS OVER CASH RECEIPTS

Our office noted during our examination of the 2008 cash receipts that the Fair does not maintain a cash receipts register as specified by the Division of Fairs & Expositions (F&E) Accounting Procedures Manual (APM) Section I § 2.23. Instead, the Fair uses a daily cash register log that groups together all funds collected for any day into the respective general ledger accounts without notating each individual source from which payment was collected. Due to the lack of detail within the daily cash register log, we were unable to verify that payments were received for three commercial space agreements we selected for testing totaling \$3,125 (#08-234 - \$1,000, #08-376 - \$1,075, and #08-335 - \$1,050). In addition, verification of payments for specific accounts receivable, sponsorships, concessions, and carnival revenue was impracticable due to the lack of a cash receipts register that would have provided detailed information regarding the source of funds deposited including the date funds were received and the amount of funds received from an individual source.

Moreover, a cash receipts register log establishes an audit trail that provides proper transparency, including detailed information regarding the date funds were received and the amount of funds received from an individual source.

Recommendations

- 1. The Fair should research whether it received full payment for the three commercial space agreements noted above.*
- 2. The Fair should determine whether its current method of using a cash register in collecting receipts provides the best internal controls, transparency, or efficiencies. If not, the Fair should consider using a cash receipts register or sequentially numbered cash receipt books that would provide the specifics of any payment received. Issuance of cash receipts would allow for verification of payments received for accounts receivable and revenue related accounts (commercial space, sponsorships, concessions, and carnival), which would ultimately allow better reconciliation with amounts posted to the bank account(s) and the general ledger.*

WEAKNESS IN CASH ACCOUNT REPORTING

Our office noted the Fair did not use the correct information to prepare Standard Form 445, Report of Bank/Savings & Loan Association Account Outside the Treasury System. For its junior livestock auction (JLA), operating, and premium cash accounts, the Fair reported the June 30, 2008 balances as \$156,198, \$111,994, and \$4,315, respectively, using bank statement balances. However, the State Treasurer's Office (STO) requires the book (general ledger) balance, rather than the bank statement balance, to be reported for each bank account outside the State Treasury. The book balances in the cash accounts as of June 30, 2008 were: Operating \$50,741, JLA \$(32,100), and Premium \$(2,835), per the general ledger. In addition, the Fair reported a balance of \$61,193 for one of their cash time deposits on the

Standard Form 445, when there was a \$0 balance on the general ledger. This amount was already transferred to the operating account as of December, 31 2007. As a result, the Standard 445 Form was overstated by \$307,382.

Recommendation

3. *Prior to submission to the State Treasurers Office, the Fair should ensure Standard Form 445, Report of Bank/Savings and Loan Association, reflects the general ledger balance, rather than bank statement balance, at June 30 for each bank account outside the State Treasury.*

RECORD KEEPING FOR TEMPORARY EMPLOYEES

Our office noted the Fair does not maintain a complete temporary employee listing that tracks the number of days the temporary employees work during the calendar year and number of hours worked during the fiscal year as required by the APM. Additionally, according to the U.S. Department of Labor, Fair Labor Standards Act (FLSA) record keeping regulations, providing the time and day or the week when the employee's workweek begins, the hours worked each day, and the total hours worked each workweek are required record keeping for non-exempt employees.

Our office noted 22 temporary employees were paid a daily flat fee, without any indication of the number of hours the employees would have been required to work for that flat fee. In consideration of the State of California minimum wage laws and U.S. Department of Labor record keeping regulations, the Fair should track the numbers of hours all of its temporary employees worked.

Recommendation

4. *The Fair should comply with FLSA record keeping requirements by ensuring it maintains payroll records that track the total hours and days worked by all temporary employees. The Fair should comply with the APM that requires the Fair to establish strict written procedures for monitoring the number of days and hours a temporary employee works.*

SPONSORSHIP POLICY & PROCEDURES

Our office found when reviewing the 52nd DAA's Policy & Procedure Manual that the Board of Directors had not established policies and procedures for entering into sponsorship agreements and the securing of sponsorships, as required by the F&E Contract Manual, Chapter 6 § 6.25. According to the F&E Contract Manual the process to follow is: a) DAA Boards establish "procedures" for entering into sponsorship agreements, b) each DAA's procedures for securing sponsorships and sponsorship coordinators must be approved by the Board and maintained on file at the DAA's contract office, c) the DAA then follows the sponsorship procedures set by their Board, d) these procedures for sponsorship contracting, as well as the contracts themselves, are not subject to the Contract Manual requirements or F&E approval. They are subject to procedures established by the DAA. However, it should be noted that Food and Agriculture Code 4051.1 (b) does require F&E pre-approval of

sponsorship contracts that exceed \$100,000 in value, or have a term of over two years, or contemplate the building of a permanent structure on fair property.

Additionally, our office found that the Fair did not maintain a control log for their 2008 sponsors and there were several reciprocal sponsorships for which no agreement was written. This prevented our office from verifying that the terms of the agreement had been met.

Recommendations

5. *The Fair Board of Directors should comply with the F&E Contract Manual and establish policies and procedures for entering and securing sponsorship agreements.*
6. *The Fair should maintain a control log of sponsors and ensure that all sponsorships have an agreement disclosing the terms and conditions of the particular sponsorship.*

NON-REPORTABLE CONDITIONS

DELEGATED & OPPORTUNITY PURCHASES

The Fair did not comply with the APM when making and claiming opportunity purchases. The Fair made opportunity purchases during the year; however, they did not maintain a log or other lists specifying these opportunity purchases. Section 3 § 2.12 of the APM states that the individual authorized to issue and/or approve purchases must set up and maintain logs and files with lists of purchases in numerical order, items purchased, date of purchase and name of vendor.

Recommendation

The Fair should follow the guidelines as set forth in Section 3 § 2.12 of the APM and maintain a control log of delegated and opportunity purchases.

STANDARD AGREEMENTS

During an examination of the 2008 standard agreements our office found that the Fair does not require contractors to complete Form CCC-307, Contractor Certificate Clauses, that provide for a statement of compliance with the nondiscrimination program requirements, acknowledgement by the contractor of the drug-free workplace requirements, and other codes of conduct required by the contractor providing services to the State of California and its agencies. Inclusive of this finding, the Fair does not require contractors who have provided service in prior years to complete a STD 204, Payee Data Record, for the current service year in order to verify changes to the business name, business address, entity type, or state of residency of the contractor.

Recommendation

The Fair should comply with all existing State document and form requirements when completing a standard agreement so as to protect the interests of the Fair and the State of California.

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE

SACRAMENTO COUNTY FAIR

November 5, 2009

Ron Shackelford, CPA
Chief, Audit Office
1220 N Street, Room 344
Sacramento, CA 95814

Dear Ron,

The Audit we received contained four reportable conditions and two non-reportable conditions. This letter will address each item.

Internal Controls Over Cash Receipts

We agree that additional record keeping upon receipt of payments will assist an auditor in their ability to track payments. It should be noted, that for several years the 52nd District Agricultural Association has used a cash register for collecting receipt of payments. This is the first year that the lack of a cash receipts register log has registered as a reportable condition in our audit.

Furthermore, it has been the practice of the 52nd DAA to track payments for accounts receivable, sponsorships, concessions and carnival revenue within individual files and reconcile against the general ledger as a method of tracking payment received at the conclusion of the County Fair.

As to your recommendations, pertaining to the Cash Receipts.

1) The 52nd District Agriculture Association has reviewed the commercial space agreements and has verified payment received in each of these instances.

08-234, \$1,000 paid by cash, verified by contract log and daily deposit sheet.

08-376, \$1,075 paid, as noted on the control sheet, was paid on May 16th by Credit Card., confirmed by Credit Card Summary, attached to May 16th Deposit Log

08-335, \$1,050 paid by check, copy of check on file and verified by Deposit Log.

2) As to recommendations regarding the use of a cash register receipt log and/or cash receipt books. The 52nd District Agricultural Association did implement a procedure beginning in July of 2008 of hand writing a sequentially numbered receipt for each payment received. We are also reviewing our cash handling policy to include your recommendations. A policy concerning cash-handling will be implemented by the end of the calendar year.

Weakness in Cash Account Reporting

We agree that the incorrect figures were used on the Standard 445 Report of Bank/Savings and Loan Association Account Outside the Treasury. The actual bank balance was recorded instead of the book balance. It should be noted that the form STD 445 requests a book balance and that the SAM reads "stating the balance as of June 30 of each year shall be submitted." We do not agree that this should be included as a reportable finding.

Record Keeping for Temporary Employees

The 52nd D.A.A. has not changed its method of tracking hours of temporary employees and past audits had not raised this particular problem as a reportable condition. We appreciate the audit office bringing this matter to our attention.

The tracking of the number of days temporary employees worked was an oversight since it appeared to be obvious upon review of payroll disbursement, the number of hour recorded and time cards on file that our temporary employee had not worked more than 119 days. Nevertheless to comply with your findings, "Days Worked" on our payroll request forms. At the conclusion of the fiscal year, the Sacramento County Fair will use these forms to create a final report that includes hours worked and days worked for each employee. The fair will also include hours worked for employees that are offered to work at the fair for a daily flat fee to ensure that the state minimum wage laws are adhered to by our agency.

Sponsorship Policy & Procedures

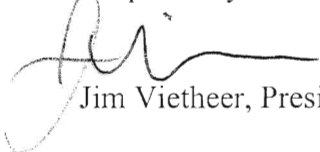
The Sacramento County Fair will include a policy pertaining to sponsorships by the end of the calendar year. In 2008 the fair did keep a tracking form of fulfillment of sponsorship benefits owed to the sponsors from the fair. However, this document did not include a tracking of the services or payment received by the sponsors. The fair will include all information in one tracking log in the future.

Non-Reportable Conditions

The Sacramento County Fair has reviewed each of the non-reportable conditions. A log will be kept of the opportunity purchases. The fair will add the CCC-307 and STD 204 forms to our standard agreements that are delivered to contractors.

In conclusion, the 52nd D.A.A. will add that Patricia Moore was very respectful and professional while conducting our audit. We especially appreciated that she returned documents to their original files. This has not been the case of past auditors and has been a cause for concern when documents could not be located following an audit.

Respectfully Submitted,



Jim Viether, President



T.J. Flew, C.E.O.

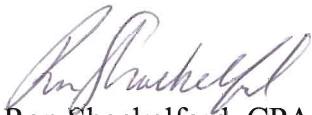
C DFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 52nd DAA, Sacramento County Fair, for its review and response. We have reviewed the response and it adequately addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between March 17, 2009 and March 24, 2009. My staff met with management on March 24, 2009 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.



Ron Shackelford, CPA
Chief, Audit Office

March 24, 2009

REPORT DISTRIBUTION

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1	President, 52nd DAA Board of Directors
1	Chief Executive Officer, 52nd DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office